

U.S. DEPARTMENT OF THE INTERIOR

OFFICE OF INSPECTOR GENERAL

AUDIT REPORT

REVIEW OF INDIVIDUAL INDIAN MONEY ACCOUNTS
ADMINISTERED BY BUREAU OF INDIAN AFFAIRS'
PAWNEE AGENCY



**This report may not be disclosed to anyone other than the auditee
except by the Assistant Inspector General for Administration,
Office of Inspector General, U.S. Department of the Interior,
Washington, D.C. 20240.**

DOI SOL

JULY 1985

DATE

3. VOLUNTARY DEPOSITS

The Pawnee Agency is maintaining numerous IIM accounts, which we consider to be voluntary deposits. Not only are these voluntary deposits prohibited by regulation, but also Agency resources are being expended on the maintenance of these accounts, which could be more effectively used for maintenance of its required IIM accounts.

Regarding voluntary deposits, 25 CFR 115.6 states in part that: "As a general rule, voluntary deposits shall not be accepted. Indians who require banking service shall be encouraged to utilize commercial bank facilities. If in any case, it is determined that an exception to this prohibition should be made to avoid a substantial hardship, the facts in the case shall be considered...."

Tribal Accounts

In October 1984, the Agency was maintaining 18 Tribal IIM accounts with respective balances totaling \$45,243. We reviewed the operations of all of these accounts and determined that all but 3 of the 18 accounts were actually voluntary deposits and should be handled by commercial banking facilities.

Although differing in their stated purposes, the Tribal IIM accounts did have one similarity; they appeared to be maintained for the convenience of various Tribal organizations. For example, the Agency was operating loan programs for two tribes; i.e., providing all services related to qualifying the applicant, processing the paperwork, issuing the loan, collecting payments and closing out the loan. The tribes supplied the funds and had final approval over who were granted loans. The Agency issued and handled 69 loans for these tribes in FY 1983. The other tribal accounts were generally operating accounts used for routine tribal transactions. Only 3 of these 18 accounts were used for Agency related purposes.

The use of IIM accounts for Tribal operations was discussed with cognizant Agency officials. They stated that many of these accounts had been in use

for long periods of time and agreed that they were voluntary in nature and should be discontinued. They also stated that the Agency had, at various times, attempted to have the tribes take over these loan programs for at least 3 years; however, the tribes had not complied, despite apparent agreement to do so in 1981. As previously stated, we consider these accounts to be substitutes for commercial bank accounts and the banks or the tribes should handle them. We believe these accounts are an unnecessary burden on the IIM system and the accounts should be eliminated.

Minors (Judgment Funds)

Per capita shares of judgment funds for minors are required by 25 CFR 115.4 to be held until the minors reach 18 years of age. At that time, unless the minor is under legal disability, the minor is entitled to withdraw his/her judgment funds.

We selectively reviewed 112 of 768 per capita accounts with balances totaling \$947,922 and determined that 100 of these accounts still had funds totaling \$7,688 on deposit at least 3 years after the minors had attained their majority. These funds generally consisted of interest that was posted after distribution of the related principal.

These individuals had not received judgment fund interest belonging to them primarily because they were not notified that they had funds on deposit. The Agency's policy regarding this matter is to wait for the account holder to submit a written request before disbursing those funds. So, unless the account holder is aware of funds on deposit, which often is not the case, then the disbursement will never be made.

If those funds are not disbursed to those individuals who are entitled to them after they reach their majority, essentially, the funds then become voluntary deposits. As previously stated, this type of IIM account is prohibited.



United States Department of the Interior

BUREAU OF INDIAN AFFAIRS

WASHINGTON, D.C. 20245

JUL 11 1985

IN REPLY REFER TO:
Systems Control
Room 340 - South Interior
(202) 343-3579

Memorandum

To: Office of Inspector General

From: Acting Deputy Assistant Secretary - Indian Affairs

Subject: Response to OIG Draft Audit Report "Review of Individual Indian Money Accounts Administered by Bureau of Indian Affairs' Pawnee Agency," Report No. C-IA-BIA-23-84(b)

You will find attached the Bureau of Indian Affairs' response to the above-cited audit report. The response addresses each of the thirty (30) OIG programmatic recommendations and includes corrective actions that have been completed, or will be taken, by the Pawnee Agency.

If additional information is required concerning this matter, please contact Mr. Orville Hood.

Hazel E. Eddart

Attachment(s)

8. Recommendation: In the case of loans made from the IIM account, attempt to recoup the delinquent portions of the loans from the IIM account of the account holder's relatives.
Response: Plans have been made to correct the delinquency on one loan; the second loan is current.

9. Recommendation: Stop allowing disbursements based upon Tribal Council pressures.
Response: The auditors were unable to provide any documentation that this statement was anything but subjective speculation. Not only do these type of "findings" weaken the validity of the audit process, they are also "findings" that cannot be responded to in any reasonable manner.

B. SPECIAL DEPOSIT ACCOUNTS

10. Recommendation: Review all special deposit accounts and eliminate funds that are improperly retained.
Response: The Branch of Realty is in the process of reviewing and eliminating funds in Special Deposit Accounts.
11. Recommendation: Review all special deposit accounts at least every 6 months in order to distribute and/or refund all undistributed balances.
Response: Special Deposit accounts will be reviewed March 30 and September 30 each year. Steps have been taken to improve the collection procedure to greatly reduce the number of checks placed into special deposit accounts.
12. Recommendation: Immediately transfer all funds in the Chilocco Special Deposit account to the IMPL account.
Response: Funds in the Chilocco Special Deposit account were transferred to the Chilocco IMPL account on April 24, 1985.
13. Recommendation: Obtain direction from the Anadarko Area Office as to the disposition of the funds obtained from the liquidation of the Indian business.
Response: The Area Office directed that these funds be transferred to the U. S. Guaranteed Loan Account.

C. VOLUNTARY DEPOSITS

14. Recommendation: Eliminate all unnecessary Tribal accounts.
Response: All unnecessary Tribal accounts will be eliminated by June 30, 1985.
15. Recommendation: Notify the 100 per capita account holders that they should submit written requests for the remaining funds in their accounts, and then review the other per capita accounts for the same situation and initiate similar requests.
Response: Procedures for accomplishing this recommendation by July 1, 1985 are in process.
16. Recommendation: Review those accounts classified as supervised and eliminate those accounts that are actually voluntary deposits, unless they can be substantially justified; e.g., for hardship.
Response: Procedures for accomplishing this recommendation by July 1, 1985 are in process.